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BY ELECTRONIC MAIL

August 1, 2023

Ms. Yanira Raíces Vega
Acting Secretary
Department of Education

Re: Juan I. López Malavé Lease Agreement

Dear Ms. Raíces Vega:

In accordance with the Contract Review Policy of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed contract between the Department of Education (“PRDE”) and Juan I. López Malavé (the “Proposed Contract”).

After reviewing the Proposed Contract, the Oversight Board concludes “Approved with Observations.” Observations related to the Proposed Contract are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Contract with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material changes to the Proposed Contract must be submitted to the Oversight Board for review and approval **prior to execution**.

Ms. Raíces Malavé

August 1, 2023

Page 2 of 2

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to the PRDE and solely with respect to the Proposed Contract.

Sincerely,



Jaime A. El Koury
General Counsel

APPENDIX A

(Page A-1)

PRDE – JUAN I. LÓPEZ MALAVÉ

Fiscal Plan Alignment

This review covers the Proposed Contract between the PRDE and Juan I. López Malavé, which contemplates the lease of certain property located in Boulevard del Río Office Buildings in the Municipality of Humacao, which shall serve as the PRDE's regional office.

The Proposed Contract stems from a competitive procurement process and was approved by the Real Estate Review Board by resolution issued on July 10, 2023. It has a **5-year term** from its date of execution and a maximum payable amount of **\$1,666,936.66**, of which **\$350,263** correspond to Fiscal Year 2024. The Proposed Contract shall be paid with General Funds, allocated in **Account No. PRIFAS: E2632-111-0810000-3002-003-2024/SIFDE: E2632-111-02052600-3002-003-2024**.

The PRDE has certified that the funds required for payments under the Proposed Contract are allocated in the corresponding account. As such, the Oversight Board's review indicates that the PRDE has sufficient budgeted funds in Fiscal Year 2024 to cover the cost of the Proposed Contract as of the date of this letter.

This determination does not consider the extent to which total available funds will be subsequently encumbered by the PRDE throughout the Proposed Contract's term. Consequently, we rely on the PRDE's budget certification for purposes of this review. In the event that the Proposed Contract causes the PRDE to exceed its budget, it must find savings in other areas to cover any overbudgeted amounts and request a reapportionment of any identified funds to the Oversight Board in order to ensure compliance with the Fiscal Year 2024 Certified Budget.

Insofar as the Proposed Contract will be funded with future certified budgets, the PRDE must ensure that such budgets incorporate all costs related to the Proposed Contract.

The PRDE is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A (Contract Submission Questionnaire) and to request a re-review of the Proposed Contract should any changes occur.

This review was conducted on the basis of information submitted by the PRDE. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.